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TRADE WITH THE BRITISH PROVINCES.

LETTER

FROM

THE SECRETARY OF THE TREASURY,

IN ANSWER TO

A resolution of the House of the 7th instant, transmitting information as to the trade between the United States and the British North American Provinces since the abrogation of the reciprocity treaty.

MARCH 31, 1868.—Referred to the Committee of Ways and Means and ordered to be printed.

TREASURY DEPARTMENT,

March 30, 1868.

SIR: The following resolution adopted by the House of Representatives on the 7th of February last was duly received:

Resolved, That the Secretary of the Treasury be directed to communicate to this house a statement of the trade between the United States and the British North American Provinces, now confederated under the name of Canada, since the abrogation of the reciprocity treaty, and showing to what extent, if any, the interests of the United States have been affected by such abrogation; also as to the nature of the arrangements made for securing to American citizens the free navigation of the river St. Lawrence, and the privilege of fishing in the waters adjacent to Canada.

As the time necessary to prepare a proper answer to the resolution cannot be spared by any competent person connected with this department, I hand you herewith a communication prepared by Geo. W. Brega, in answer to said resolution, which seems to contain the information which has been called for by the House of Representatives.

I have the honor to be, your obedient servant,

H. McCULLOCH,
Secretary of the Treasury.

Hon. SCHUYLER COLFAX,
Speaker House of Representatives.

WASHINGTON, March 27, 1868.

SIR: I beg leave to submit the annexed report in reply to the following resolution of the House of Representatives, passed February 7, 1868:

Resolved, That the Secretary of the Treasury be directed to communicate to this house a statement of the trade between the United States and the British North American provinces, now confederated under the name of Canada, since the abrogation of the reciprocity treaty, and showing to what extent, if any, the interests of the United States have been affected by such abrogation; also as to the nature of the arrangements made for securing to American citizens the free navigation of the river St. Lawrence, and the privilege of fishing in the waters adjacent to Canada.

This resolution embraces not merely a consideration of the interchange of products between the United States and confederated Canada, but also extends the inquiry into an examination of other questions outside of reciprocal trade strictly speaking, and which entered largely into the discussion of the subject during the negotiations which led to the adoption of the reciprocity treaty of 1854. As a mere question of an exchange of products of the soil, American statesmen uniformly contended that the advantage of the market under this treaty would benefit the Canadian seller to a greater extent than it would us; but it was urged that as the actual market for the surplus products both of the United States and of Canada must be beyond our territorial limits, the advantage was more apparent than real. In other words, whilst the returns might show that under a free interchange of the natural products of the soil, Canada would export to the United States more than we would export to the provinces, yet in this matter the United States would occupy merely the position of a factor, obtaining all the advantage which the carrying and handling of the produce gave; the real and ultimate purchaser being found in the European markets. The advantage to Canada it was said would be found in the capital of the United States, and the facility of selling on the spot and at all seasons of the year; but that the markets of the world, and not the local demand, would regulate the price. The advantage to the United States was mainly to be had from the profit which our capital would insure in the handling and transit to the ocean of this produce.

Mr. Webster, Mr. Clayton, Mr. Everett, and Mr. Marcy, who conducted the negotiations pending the reciprocity treaty, held that, so far as the interchange of produce was concerned, the United States would furnish by far the largest market; but they acknowledged that it would increase our commerce, and that beyond this trade the securing to our citizens the free navigation of the St. Lawrence and the privilege of the fisheries were benefits of great importance in the present and of even greater moment in the future. Mr. Everett, as Secretary of State, in a report to the President, February, 1853, upon the pending negotiations for a liberalization of trade with the provinces and the adjustment of the free navigation of the St. Lawrence and the fisheries, said:

Even if the United States, as the party to the compact which furnishes by far the largest market to the other, should think it necessary in some respects to limit and in others to enlarge the number of articles subject to the arrangement beyond what the British government or the provinces would prefer, the Secretary has been of opinion that the main provisions promised so much benefit on both sides that it would be felt to be expedient to enter into the arrangement for a definite time, leaving to future negotiations and legislation, guided by experience, to render it still more satisfactory.

To what extent these views were correct or otherwise is now more easily determined than it was possible to estimate at an earlier period. The treaty has been terminated nearly two years, and the returns since that time, contrasted with those of previous years when the treaty was in operation, give data to go upon, instead of mere surmise. I propose, therefore, to give these returns, and also the prices paid by American purchasers in the Canadian markets for leading articles imported into the United States before and since the repeal of the treaty, together with such other further information as will answer fully the resolution upon all the subjects alluded to.

I am indebted to the Canadian finance department for much original information of a statistical nature, which will be found embodied in this report. The returns are brought down to the latest period and are officially correct. Some valuable data have also been extracted from an excellent work published in Canada, called "The Year Book," compiled from official sources.

The following tables give the trade returns of all the British North American provinces, from 1850 to the present time, distinguishing how much of the commerce was with the United States. All the values are estimated in gold:

TRADE WITH THE BRITISH PROVINCES.

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Canadian trade from the year 1850 to June 30, 1867, (values in gold.)

IMPORTS.

Years.	From Great Britain.	From British colonies.		From United States.	From other countries.	Totals.	Coin and bullion.
		In North America.	In West Indies.				
1850	\$9,631,921	\$385,620	\$4,451	\$6,372,494	\$365,216	\$16,759,702	\$222,366
1851	12,037,993	436,971	13,625	7,935,972	570,296	20,994,857	439,933
1852	10,671,133	480,954	5,115	8,477,693	651,598	20,286,493	
1853	18,489,121	632,660	3,479	11,782,147	1,074,029	31,981,436	
1854	22,963,330	675,115	2,673	15,533,098	1,355,109	40,529,325	
1855	13,303,560	865,988	14,135	20,828,677	1,073,909	36,086,169	
1856	18,212,934	1,032,594	17,614	22,704,509	1,616,736	43,584,387	
1857	17,559,025	751,888	26,823	20,224,651	868,211	39,430,498	
1858	12,286,853	423,366		15,635,550	732,683	29,077,852	675
1859	14,767,872	381,370	533	17,592,265	793,873	33,535,913	19,248
1860	15,839,320	393,464	15,802	17,258,585	905,260	34,412,431	35,504
1861	17,945,570	499,177	371	20,206,080	1,098,963	39,750,161	3,304,675
1862	21,089,915	535,469	38,851	22,642,860	1,673,844	45,980,939	2,619,694
1863	20,176,964	510,713	132,195	18,457,683	2,034,651	41,312,206	4,652,287
1864, (6 months)	11,878,907	93,831	217,333	7,952,491	1,264,440	21,406,712	2,475,504
1864-'65	21,035,871	511,570	209,329	14,820,577	3,274,644	39,851,991	4,768,478
1865-'66							
1866-'67	34,060,969	1,108,373	137,802	20,268,902	3,269,396	59,633,670	6,610,872

EXPORTS.

Years.	To Great Britain.	To British colonies.		To United States.	To other countries.	Totals.	Coin and bullion.
		In North America.	In West Indies.				
1850	\$4,803,399	\$1,808,776	\$8,376	\$5,933,243	\$108,281	\$12,943,795	
1851	6,021,401	1,037,519	3,912	4,917,429	164,144	13,810,604	
1852	6,756,857	812,139	13,961	7,536,155	188,495	15,307,607	
1853	11,463,408	1,380,466		10,725,455	229,974	23,801,303	
1854	10,876,714	1,529,275	8,989	10,418,888	185,329	23,019,190	
1855	6,738,441	1,023,447	3,749	20,002,291	420,533	28,188,461	
1856	10,467,644	1,086,041	10,803	20,218,654	263,775	32,047,017	
1857	11,102,045	875,239		14,762,641	266,699	27,006,624	
1858	8,898,611	960,426		13,373,138	240,432	23,472,609	
1859	7,973,106	840,475	7,025	15,586,917	355,806	24,763,329	\$3,652
1860	12,749,891	723,534		20,698,348	370,889	34,542,662	89,228
1861	18,787,592	1,030,939	12,382	16,158,374	380,395	36,369,682	244,513
1862	15,045,420	826,871	13,775	16,980,810	550,552	33,417,128	178,997
1863	17,401,856	935,196	57,542	20,910,533	841,002	40,146,129	1,685,403
1864, (6 months)	4,700,244	348,090	14,016	8,022,963	94,029	13,179,342	704,166
1864-'65	14,637,158	1,065,057	41,313	24,213,582	835,850	40,792,960	1,688,191
1865-'66							
1866-'67	14,450,854	3,549,197	53,815	23,179,416	920,903	42,154,185	2,916,034

For the year ending June 30, 1867, the exports from Canada to the United States were mainly composed of the following :

Produce of the forest.		\$6,831,252
Animals and their products.		3,686,192
Agricultural products.		11,183,227

Nova Scotia trade for the years 1865 and 1866.

	1865.	1866.
Imports	\$14,381,662	\$14,381,008
Of which from the United States	4,325,857	4,041,844
Exports	8,830,693	8,043,095
Of which to the United States	3,610,797	3,228,550

The principal articles of export were fish, about 3,500,000 dollars, and coal 1,000,000 dollars.

New Brunswick trade for the year ending December 31, 1866.

Imports	\$10,000,794
Of which from the United States	3,743,896
Exports	6,373,705
Of which to the United States	1,855,944

Newfoundland trade for the year 1866.

Imports	\$5,784,849
Of which from the United States	1,399,038
Exports	5,694,305
Of which to the United States	426,436

The above values do not include the shipments of dry and pickled fish, oils, furs, &c., from Labrador direct for foreign markets.

The imports of Newfoundland are chiefly breadstuffs and animal food. In 1866 the imports were—

Of flour	183,677 bbls.	\$1,002,062 value
Of bread	46,256½ cwts.	175,158 "
Of pork	21,665½ bbls.	350,698 "
Of butter	15,530 cwts.	285,332 "

The exports from Newfoundland are principally fish and their products.

The reciprocity treaty expired on the 17th day of March, 1866. The following statements give the prices of Canadian produce in the Montreal and Toronto markets upon the first of each month since January, 1865, and which the termination of the reciprocity treaty might be supposed to affect, so far as it put an end to their free admission to our markets :

TRADE WITH THE BRITISH PROVINCES.

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Prices of Canadian produce in the Montreal market, (*specie valuation.*)

Months.	Flour.	Supernine, per barrel.	Fine, per barrel.	N. E. spring wheat, per bushel.	Oats, per 32 pounds.	Barley, per 48 pounds.	Pork, mess.	Butter, choice.	Cheese.
1865—January	\$4 70 to \$4 80	\$4 20 to \$4 30	\$3 60 to \$3 75	\$0 96 to \$0 97 $\frac{1}{4}$	\$0 33 to \$0 35	\$0 32	\$0 65 to \$0 67 $\frac{1}{4}$	\$17 00 to \$18 00	\$0 09 to \$0 11
February	4 80	4 25	4 30	3 60	3 75	3 75	67	19 50	9 11
March	4 80	4 40	4 50	3 60	3 75	35	72 $\frac{1}{4}$	20 50	9 11
April	5 20	4 65	4 80	4 00	4 15	40	70	20 25	9 11
May	5 50	5 70	4 75	4 90	4 10	4 30	1 00	21 50	10 11
June	6 25	6 50	5 20	5 40	4 40	1 20	1 25	21 25	10 12
July	6 00	6 30	4 80	5 00	3 80	4 00	1 05	20 50	16 9 $\frac{1}{2}$
August	6 00	6 30	4 65	5 00	4 00	4 15	1 00	16 $\frac{1}{4}$	10 $\frac{1}{2}$
September	7 10	7 25	5 40	5 50	4 30	4 50	1 10	1 15	9 $\frac{1}{2}$
October	7 95	8 25	6 00	5 50	5 00	5 25	1 20	1 25	11 11
November	7 75	8 00	6 15	6 30	5 00	5 25	1 22 $\frac{1}{4}$	1 27 $\frac{1}{4}$	12 $\frac{1}{2}$
December	7 50	7 75	6 75	6 10	5 00	5 25	1 16	1 20	13
1866—January	7 00	7 25	5 40	5 75	4 00	4 25	1 16	1 20	12 $\frac{1}{2}$
February	7 75	8 25	5 40	5 75	4 25	4 40	1 16	1 20	13
March	8 25	8 50	5 40	5 85	4 25	4 40	1 16	1 20	13
* April	8 25	8 50	5 65	5 80	4 70	4 80	1 18	1 20	14 $\frac{1}{2}$
May	8 50	8 75	6 70	7 00	5 00	5 75	1 35	1 37 $\frac{1}{4}$	14 $\frac{1}{2}$
June	9 00	9 50	6 50	6 65	5 75	6 00	1 45	1 50	14
July	9 50	8 50	6 65	6 85	6 00	6 15	1 47 $\frac{1}{4}$	1 52 $\frac{1}{4}$	12 $\frac{1}{2}$
August	7 50	8 50	6 70	6 00	4 75	5 00	1 20	1 25	12 $\frac{1}{2}$
September	7 50	8 50	6 80	7 10	5 20	6 25	1 30	1 35	14 $\frac{1}{2}$
October	8 25	8 50	7 70	7 85	6 25	6 75	1 50	1 55	16
November	8 00	8 25	7 20	7 35	5 75	6 00	1 50	1 55	16
December	8 00	8 25	7 00	7 10	6 25	6 40	1 50	1 55	16
1867—January	9 00	9 50	7 10	7 20	6 30	6 40	1 47 $\frac{1}{4}$	1 50	16
February	8 75	9 50	7 25	7 40	6 25	6 40	1 47 $\frac{1}{4}$	1 52 $\frac{1}{4}$	12 $\frac{1}{2}$
March	8 50	9 00	7 25	7 35	6 00	6 15	1 47 $\frac{1}{4}$	1 52 $\frac{1}{4}$	12 $\frac{1}{2}$
April	8 75	9 25	8 10	8 30	6 00	6 75	1 75	1 80	13 $\frac{1}{2}$
May	9 50	9 75	8 55	8 75	7 15	7 35	1 55	1 60	13 $\frac{1}{2}$
June	9 50	9 50	7 75	8 10	7 00	7 50	1 55	1 60	13 $\frac{1}{2}$
July	9 00	7 40	7 25	7 50	6 50	6 75	1 50	1 55	10 11
August	9 00	7 50	7 00	5 50	5 00	5 50	1 50	1 55	8 $\frac{1}{2}$
September	8 00	7 25	7 25	7 30	5 50	6 00	1 55	1 57 $\frac{1}{4}$	8
October	8 00	8 25	7 25	7 30	6 40	6 50	1 55	1 52	8
November	8 00	8 25	6 75	6 85	6 00	6 20	1 50	1 64	9 $\frac{1}{2}$
December	8 00	8 25	7 30	7 40	6 40	6 50	1 64	1 68	9 $\frac{1}{2}$
February	7 40	7 50	6 45	6 60	1 67	1 70	46	47	9 9 $\frac{1}{2}$
									9 9 $\frac{1}{2}$
									21
									20

* Reciprocity treaty terminated.

Prices of Canadian produce in the Toronto market, (specie valuation.)

	Flour.	Wheat.		Peas, per bushel of 60 pounds.	Barley, per bushel of 48 pounds.	Oats, per bushel of 34 pounds.
		No. 1 superfine, per barrel.	Spring, per bush.			
Months.						
1865—January	\$4 25	\$3 80	\$0 80	\$0 90	\$0 58	\$0 69
February	4 25	3 85	81	93	62	68
March	4 33	4 05	83	98	80	67
April	4 50	4 18	93	96	90	74
May	5 00	4 73	98	1 04	84	73
June	5 87	5 30	1 13	1 16	86	65
July	5 25	4 90	1 08	95	88	55
August	5 12	4 65	95	1 05	80	55
September	6 00	5 25	1 06	1 20	62	64
October	6 87	6 00	1 13	1 48	59	80
November	6 50	5 75	1 14	1 50	63	70
December	6 25	5 20	1 10	1 45	62	68
1866—January	6 25	5 00	1 02	1 20	62	72
February	7 00	5 05	1 09	1 46	65	60
March	7 25	5 25	1 07	1 35	63	65
*April	7 00	5 25	1 13	1 47	67	64
May	8 25	6 25	1 40	2 00	71	66
June	8 25	6 80	1 40	1 95	70	60
July	8 00	6 50	1 40	1 65	73	55
August	6 00	5 50	1 20	1 20	60	55
September	6 60	6 30	1 40	1 57	58	54
October	7 50	7 55	1 43	1 50	60	65
November	7 87	6 80	1 50	1 76	75	58
December	7 50	6 50	1 37	1 60	65	52
1867 January	7 50	6 60	1 38	1 70	72	58
February	8 00	6 80	1 42	1 80	73	55
March	7 75	6 80	1 55	1 80	71	58
April	8 50	7 50	1 86	2 00	77	64
May	9 00	8 30	1 95	2 10	79	70
June	9 25	8 50	1 75	1 87	70	68
July	7 75	7 25	1 60	1 80	75	70
August	7 00	1 45	1 65	75	75	52
September	7 50	6 75	1 40	1 50	80	80
October	7 50	6 85	1 47	1 56	82	82
November	7 25	6 65	1 45	1 57	73	82
December	6 50	1 45	1 58	72	1 05	55

* Reciprocity treaty terminated.

An examination of these tables shows the remarkable fact that large as were the sales of produce by Canada to the United States, under their free admission to our market; yet the prices obtained in Canada, after the termination of the reciprocity treaty, for such articles, was in almost every instance higher than when it was in operation. It cannot be denied—granting the correctness of the figures given above, which are from official sources—that whatever amount of this produce was purchased for consumption in the United States, since March, 1866, was purchased at as high prices in the Canadian markets as before the abrogation of the treaty; and that the American consumer was compelled to pay the American duty in addition.

IMPORTATION OF PINE LUMBER FROM CANADA.

When the reciprocity treaty was under discussion, the free admission of pine lumber was strenuously opposed, upon the ground that Canadian lumber would interfere with the domestic supply, and that consequently the American lumber manufacturer would suffer.

Since then, however, the supply of pine lumber has nearly ceased in the eastern States, and the consumption in the eastern and middle States, on the Atlantic slope, has almost wholly depended upon the Canadian supply from

the valley of the Ottawa. Large quantities of pine lumber are manufactured in Michigan, Wisconsin, and northern Minnesota; but the growing western demand is even greater than the industry and resources of those States can meet.

The decreasing supply of lumber in Maine induced several enterprising citizens of that State a few years ago to look about for new sources of production, and they thus learned about the immense pineries of northern Minnesota—at that time a wilderness, untouched by the lumberman's axe, frequented only by wild animals and the scarcely less savage Indians. These pineries are a continuation of the pine regions of Michigan and Wisconsin, and stretch along the Chippewa and St. Croix, the shores of Lake Superior, and across the Mississippi, above and below St. Cloud. Large tracts of these lands were purchased at the time, but it is only within a very recent period that they have been occupied. The increase of population in southern Minnesota and the surrounding States has created an enormous demand for building material, and the saw-mills erected at St. Croix, St. Anthony Falls, Minneapolis, &c., have been found unable to keep pace with the increasing wants. The trade may be said to be almost in its infancy, yet it already exceeds the busiest scenes ever witnessed on the banks of the Penobscot, Kennebec, Androscoggin, Saco, and Passamaquoddy. But all this scarcely supplies the present local demand.

Now that the forests of Maine have been, to a great extent, denuded of pine timber, the eastern States must depend upon the pineries of the Ottawa valley. It is a waste of time to enter into any calculation as to the relative cost of transporting lumber from Wisconsin, Michigan, and Minnesota to the eastern States, and the cost of freighting it from the Ottawa to the same destination, because even were the cost the same, which in the nature of things it would not be, the western States require, and will continue to consume, all the lumber that can be produced in the northwest. The Atlantic States, from Maryland up, must either use Canadian lumber or find some other material as a substitute therefor.

Upon the termination of the reciprocity treaty a heavy duty (20 per cent.) was imposed upon Canadian lumber by the United States. The following table will show that this duty has been paid by the American purchaser and consumer; the prices given for lumber delivered on the barges at Ottawa being higher now than in 1865—and nearly all of it being purchased for the American market—finding its way principally to Albany, via the Champlain canal.

Statement of the price in the Ottawa, Canada, market, of stock boards and siding planks, the principal kinds of lumber purchased for consumption in the United States, and which the repeal of the reciprocity treaty might be supposed to have effected, (since January, 1865.)

	Stock boards or shipping boards: Price in gold de- livered on the barge at Ottawa, per M.	Siding planks: Price in gold delivered on the barge at Ottawa, per M.
1865.....	\$9 50 to \$9 75	\$15 00 to \$16 00
1866.....	10 00	17 50
1867.....	10 00	17 50

The practice of the wholesale lumber trade in Canada now is, that at the commencement of the season contracts for the year are made by American purchasers, so that the shipments to the United States do not vary; and it is, therefore, unnecessary to give the monthly price lists. The prices for lumber are much higher than used to be paid some years ago. The contracts for the approaching season are not yet made.

To show not only that nearly all the planks and boards manufactured in Canada are for the American markets, but that the abrogation of the reciprocity treaty has not checked the supply purchased there, while it has enhanced the cost to the American purchaser, the following returns are given :

Exports from Canada of planks and boards for the fiscal years ending June 30, 1866 and 1867.

	Total quantity. M. feet.	Total value.	To the United States.
1866.....	465,812	\$4,583,075	\$4,608,554
1867.....	533,192	5,104,342	5,043,367

The extent and capacity of the lumbering districts of Canada are thus stated by Canadian authorities :

The lumbering districts of the country may be divided into eight parts : the Saguenay valley, 27,000 square miles ; the St. Maurice, 21,000 ; the valleys between the Saguenay and the St. Maurice valley, 8,000 ; between the St. Maurice and Montreal, 9,000 ; the Ottawa valley, 87,761 ; the valley between Kingston and Trent, 2,350 ; the Trent valley, 6,200 ; besides 65,000 east of the Saguenay, and 60,000 divided into Lakes Huron and Superior. Total, 297,711 square miles. About 25 per cent. of the standing pine is available for squared timber ; 40 per cent. more for saw-logs ; the remaining 35 per cent. is undergrowth, useless or damaged. The average quantity of timber got out yearly is—

	Cubic feet.
Oak.....	1,585,856
Elm.....	1,438,707
Ash.....	149,930
Birch.....	92,714
Tamarac.....	987,062
White pine.....	17,665,675
Red pine.....	2,566,360
Total.....	24,486,303

Sawed planks, 250,000 M feet, board measure, or over one million and three-quarter tons.

The export lumber trade of the provinces of New Brunswick and Nova Scotia with the United States is unimportant. The pine lumber of Canada is all that is consumed here. The square timber all goes to Europe. Since the termination of the reciprocity treaty, an effort has been made in Canada to induce that government to place an export duty on pine lumber, but, so far, the proposition has not been considered favorably.*

* The imposition of a duty of 20 per cent. on manufactured lumber, under our existing tariff, is causing a great deal of dissatisfaction in Canada, and has added to the pressure upon the Canadian government to establish export duties upon all descriptions of lumber, manufactured or otherwise. The following proceedings took place in the local legislature of the province of Ontario on the 26th February, 1868 :

"Mr. Christie moved the appointment of a select committee, to consider the advisability of memorializing the government to impose a duty on saw-logs, shingle-bolts and stave-bolts manufactured in this province, and exported from the Dominion. He said that, since the abrogation of the reciprocity treaty, a large trade in the export of saw-logs and shingle and stave bolts had sprung up. Since that time, the American government had imposed a duty of 20 per cent. on manufactured lumber, but they admitted free of duty saw-logs, stave-bolts, and shingle-bolts. Consequently, the manufacturer on this side, as compared with the manufacturer on the American side, was placed at a disadvantage of 20 per cent., with reference to the manufacture of an article, the profit of which ought of right to belong to the Canadian manufacturer. The extent of this export trade, under these circumstances, was astonishing. He had been told yesterday by a gentleman from Oswego, that with three tug-boats they had tugged across saw-logs, unmanufactured, to the amount of 40,000,000

There can be no doubt, from the returns just given, that up to this time the abrogation of the reciprocity treaty has not affected Canadian interests injuriously; the high price of produce in the United States, and the derangement of our currency, probably acting somewhat in their favor. The provinces of New Brunswick and Nova Scotia have, however, suffered in their exports of both fish and coal—the American duty practically excluding the sale of these articles in our markets, although it has not benefited the American producer, as the prices are no higher here than when provincial competition existed by their free admission. Our principal trade is, of course, with the most populous division of the provinces, now known by the names of Ontario and Quebec. The estimated population of confederated Canada at this time is 3,500,000; of which but 600,000 reside in New Brunswick and Nova Scotia. The returns already given show that the repeal of the reciprocity treaty has not lowered the prices of produce in Ontario and Quebec, while the export of lumber to the United States has not only been greater, but the prices paid for it in Canada are higher now than ever. These results are unexpected in the general belief which prevailed that a different exhibit would be presented, consequent upon the imposition of duties on our northern frontier.

Under the Canadian tariff, adopted December 21, 1867, by the confederated parliament, coal and coke are still admitted free of duty. A proposition was made, when their tariff bill was under consideration, to impose a duty of 50 cents a ton upon foreign coal, by way of meeting the duty imposed by our tariff since the termination of the reciprocity treaty. It was alleged by Nova Scotia members that a duty of 50 cents a ton would enable that province to send coal to western Canada and compete successfully with American coal in that market. The ministry, however, opposed the proposition, and it failed to carry. It is not improbable that it may be again offered during the session of Parliament now sitting. The value of the coal and coke imported into Canada during the fiscal year ending June 30, 1867, was \$1,253,115; of which \$730,676 was imported from the United States. A Canadian duty of 50 cents a ton would undoubtedly give the whole of this trade to Nova Scotia; but the Canadian government could not consent to such an imposition unless by a total disregard of the interests of the consumers in western Canada for the benefit of a circumscribed and purely local interest in their extreme eastern limits, and with a view solely to retaliate against the duties levied upon coal under our tariff. It is only doing simple justice to the existing government of Canada to acknowledge that it has strenuously opposed the ill-considered attempts which have been made to induce the adoption by parliament of anything approaching a retaliatory policy. The liberality and good judgment which that government has displayed since the confederation of the country, in its commercial policy, must have great weight and will be fully appreciated by Congress in considering the subject of a liberalization of our trade relations.

THE FREE NAVIGATION OF THE RIVER ST. LAWRENCE AND THE FISHERIES.

The resolution calls for information "as to the nature of the arrangements made for securing to American citizens the free navigation of the river St. Lawrence, and the privilege of fishing in the waters adjacent to Canada."

feet. These exports chiefly took place from the western peninsula, and went to Cleveland, Erie, Buffalo, Oswego, and Tonawanda. The mills in Tonawanda and Oswego had each a manufacturing capacity of 20,000,000 feet. The export of so large a quantity of lumber from a section of country already drained to a considerable extent, he thought, should be prevented. Petitions were now in circulation, to be forwarded to the government, asking protection in this matter. It was not one which came within the class of questions to which free trade *versus* protection was applicable. It was for the interest of the province, he thought, to retain as great a portion of the timber now on the peninsula as possible, for the uses of the country.

"The motion was agreed to."

These questions were embraced in the reciprocity treaty, and consequently upon the repeal of that measure they reverted to the condition existing previous to 1854. No arrangements or understanding have been entered into since the abrogation of the treaty, between the United States and the government of Great Britain or of Canada with reference to these subjects. But the Canadian government has seen fit to permit the arrangement practically to continue in force, so far as our citizens are concerned, in the hope, as they avow, that some understanding will shortly be entered into for liberalizing trade between the two countries, and their desire, in the meantime, to do nothing which might bear an unfriendly interpretation. The freedom to navigate Lake Michigan they do not consider as any equivalent.

Strictly speaking, it can scarcely be said that the Canadian government has permitted the arrangement under the reciprocity treaty to continue, as there is really no regulation or "order in council" upon the subject of the St. Lawrence. Since the termination of the treaty American vessels desiring to pass either to or from the ocean through the St. Lawrence, have asked permission in each case of the Canadian government, and it has in no instance as yet been refused. But the informal manner in which this permission has been given, and the absence of any general regulation upon the subject, evidently shows that the Canadian government does not desire to have these special permits regarded as precedents, or as in any manner committing the government in its treatment of the question hereafter, should no general arrangement be entered into with the United States.

The free navigation of the St. Lawrence is a matter of necessity in the immense growth of the great northwest. Already the various channels of communication for the produce of that vast territory to tide-water, where it seeks the markets of the world, are crowded beyond their capacity, at certain periods. No artificial communications, no matter upon how liberal a scale they may be constructed, will be sufficient for the almost immediate future. Apart from the question of direct trade between the upper lakes and Europe, the existing communication, even with its limited canals, is of the last importance. It is not exaggerating its consequence to assume that even a war for the possession of the right to the natural outlet to our great lakes and the fertile, teeming territory they drain, would be less costly to us, in its consequences, than the loss which the closing of that outlet to our products would entail. And yet, notwithstanding the gravity of this question and the extent of the interests involved, our citizens enjoy the privilege at this moment solely through the liberality of the Canadian government, without any understanding whatever of an official or even unofficial character, and without the right to enter a complaint if the permission to use that river was refused.

It is useless to go into tabular statements to show that up to this time the St. Lawrence has not been used to any great extent as an outlet for American produce. It is not necessary to advert to the important indirect influence which the fact of the existence of this great natural outlet has in the cheapening of freights from the west. It is, as it were, a standing menace against the tyranny which a single route might enforce, and operates always as a check in this way. The argument that the St. Lawrence is of little consequence to the trade of the west, because it has not, up to this time, been used as an outlet for our products, might have a degree of plausibility if it could be maintained that the productiveness of the great northwest had reached its limits, and that the crops of the past were not to be exceeded by the harvests in the future. The growth of the western States is of almost fabulous rapidity as it is of gigantic proportions, and who can pretend to set limits to its manhood? Even at its present pace, how long will it be before the produce of that region will choke up all existing means of transportation? The day is not far distant when the Mississippi and the St. Lawrence will each be covered by vessels, floating to less favored countries the generous fruits of the boundless prairies, whilst the

railroads and canals within our borders will be burdened also by the overflowing harvests.

The following is a statement of the length of the St. Lawrence navigation, and the present capacity of the canals connected therewith. The St. Lawrence navigation is 2,385 miles long, and eight canals, of which seven are Canadian and one American, have been built to make it practicable for all its length. The annexed exhibit shows the various distances and the size of the canal locks :

	Natural channel miles.	Canal miles.	Number and dimensions of locks, in feet.	Feet of water on sills.	Rise of lockage in feet.
Straits of Belle Isle to head of tide water, (Three Rivers).	900	-----	-----	-----	-----
To the Lachine canal, (Montreal)	86	-----	-----	-----	-----
Lachine canal	-----	8 $\frac{1}{2}$	5 locks, 200 by 45.	9 ft.	44 $\frac{1}{2}$
To Beauharnois canal	15 $\frac{1}{2}$	-----	-----	-----	-----
Beauharnois canal	-----	11 $\frac{1}{4}$	9 locks, 200 by 45.	9 ft.	82 $\frac{1}{2}$
To Cornwall canal	32 $\frac{1}{2}$	-----	-----	-----	-----
Cornwall canal	-----	11 $\frac{1}{2}$	7 locks, 200 by 55.	9 ft.	48
To Farran's Point canal	5	-----	-----	-----	-----
Farran's Point canal	-----	-----	1 lock, 200 by 45.	9 ft.	4
To Rapide Plat canal	10 $\frac{1}{2}$	-----	-----	-----	-----
Rapide Plat canal	-----	4	2 locks, 400 by 45.	9 ft.	11 $\frac{1}{2}$
To Iroquois canal	4 $\frac{1}{2}$	-----	-----	-----	-----
Iroquois and Galop's canal	-----	7 $\frac{1}{2}$	5 locks, 200 by 45.	9 ft.	15 $\frac{1}{2}$
To the Welland canal, (head of Lake Ontario).	236 $\frac{1}{2}$	-----	-----	-----	206 $\frac{1}{2}$
Welland canal, (Lake Ontario to Erie)	-----	28	27 locks, 150 by 26 $\frac{1}{2}$	10 $\frac{1}{2}$ ft.	330
To Sault St. Marie canal (head of Lake Huron).	625	-----	-----	-----	536 $\frac{1}{2}$
Sault St. Marie canal (United States)	-----	1	1 lock, 350 by 70 at top and 61 at bottom.	12 ft.	12
To Fond du Lac, (Lake Superior)	397	-----	-----	-----	-----
Total.	2,312 $\frac{1}{2}$	72 $\frac{1}{2}$	Number of locks 57.	-----	548 $\frac{1}{2}$

The St. Ours lock and the Chamby canal connect the St. Lawrence and the Hudson via the Richelieu river and Lake Champlain. Distance from Montreal to New York, 456 miles.

The annexed table gives the dimensions of the largest vessels which can pass through the various locks; also, through the Champlain and Erie canals in the United States :

	Length in feet.	Breadth in feet.	Draught of water when loaded.	Tonnage.
St. Lawrence canal	186	44 $\frac{1}{2}$	9	600
Welland canal	142 $\frac{1}{2}$	26 $\frac{1}{2}$	10	400
Ottawa canal	95	18 $\frac{1}{2}$	5	100
Rideau canal	127	31 $\frac{1}{2}$	5	250
Chamby canal	114	23	6 $\frac{1}{2}$	230
Champlain canal, (United States)	89	13 $\frac{1}{2}$	4	70
Erie canal, (United States)	102	17 $\frac{1}{2}$	7	210

THE FISHERY QUESTION.

The fishery question is again completely unsettled by the abrogation of the reciprocity treaty. Upon the termination of that convention, the Canadian authorities, in conjunction with those of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland, and with the sanction of the imperial government, imposed a license duty of 50 cents a ton for the season, upon foreign fishing vessels. The license was fixed at that nominal sum more as an asser-

tion of the rights of sovereignty in the shore fisheries, &c., than with any belief that it would afford protection to the provincial fishermen; and, as stated by the Canadian ministers at the time, in the expectation that some arrangement would have been entered into by which trade relations between the United States and the provinces would have been revised, adjusted, and liberalized. The license fee was increased by Nova Scotia (previous to confederation) last year to \$1 a ton—the other provinces, however, making no change.

Our tariff imposes a duty of \$2 a barrel upon foreign-caught fish; and the Canadian fishermen complain that this duty practically excludes them from our markets; whilst at the same time nearly all of the mackerel caught by American fishermen are found within the three-mile limits of the Canadian coasts, and are procured by our vessels only in consequence of the Canadian license issued to them. Under these circumstances, the deepest distress actually prevails now amongst the Canadian fishermen—to such an extent as to have called forth the charitable contributions of their fellow-subjects in other portions of the country, not dependent upon the fishing trade. A strong appeal has been made to the Canadian authorities and the imperial government to increase the license to \$2 a ton, for the season, upon American vessels, and I have reason to believe that the appeal has been successful, and that \$2 a ton license will be charged upon foreign vessels this season. It can scarcely be maintained that the Canadian government has placed the license at too high a sum, under all the circumstances. The granting a license at all is a friendly act; and the fixing of it at \$2 a ton does not by any means place their fishermen upon an equality with our fishermen in our markets. Two dollars a ton license duty upon vessels for the season is about 20 cents a barrel upon an average catch—whilst our tariff imposes a duty upon Canadian-caught fish of \$2 a barrel. And this, it must be borne in mind, is the protection given in our markets to our fishermen upon fish—mackerel—which is caught almost wholly in Canadian waters, by our people, in consequence of the granting of licenses to them by the Canadian government. I am not seeking to maintain any doubtful theory, but simply to state indisputable facts. And I therefore have no hesitation in declaring that I cannot understand how, under the facts of the case, the Canadian government could have refused to increase the license, in view of the starving condition of their people engaged in this avocation, and in the face of the heavy duty our tariff imposes upon the product, if brought to our markets in their vessels. We obtain the mackerel in the shallow waters washing the Canadian shores, and inside of the three-mile line, by virtue of a license from the Canadian government. The catch of this description of fish outside of those limits is inconsiderable. The duty of \$2 a barrel cannot be sustained upon any theory of a protection to our fisheries; it is simply a tax for the benefit of the American fishermen, and to the detriment of the Canadian fishermen, who in point of fact OWN THE FISHERIES.

There is also another view of the subject worthy of consideration. There is reason to believe—indeed the statement remains uncontradicted—that the heavy duty of two dollars a barrel under our tariff has been of little advantage to what may be termed “legitimate” American fishermen, i. e. persons who actually catch the fish. It is stated as a fact that the greater portion of the mackerel brought into our markets in American vessels, and which of course is entered free of duty, is not caught by our fishermen, but is purchased from Canadian fishermen at a reduced price and transferred to American vessels, thus giving all the advantage of the two-dollar duty to smugglers, and holding out a direct incentive to fraud. It is unquestionably more profitable to purchase the fish in a surreptitious manner and avoid all risk of catching them; but it will hardly be contended, if the existing duty is thus taken advantage of, that it fulfills either a beneficial or a moral purpose.

It would extend this paper to unreasonable limits to enter into a discussion of the very grave issues involved in the fishery disputes previous to the con-

vention of 1854. They will be found in the executive documents of the period, and set forth at length and with great industry in the Hon. Lorenzo Sabine's report (Executive Documents first session thirty-second Congress, part 2) As Mr. Sumner remarked in the Senate, in 1864—

The fisheries have been a great source of anxiety throughout our history, even from the beginning, and for several years previous to the reciprocity treaty they have been the occasion of mutual irritation, verging at times on positive outbreak. The treaty was followed by entire tranquillity, which has not been for a moment disturbed. This is a plain advantage, which cannot be denied.

The following is the number of licenses issued to American fishing craft since the termination of the treaty, together with the sums paid :

1866.

Licenses issued by Canada, 10 vessels, paying	\$296
Licenses issued by New Brunswick, 1 vessel, paying.....	13
Licenses issued by Nova Scotia, 354 vessels, paying.....	9, 368
Licenses issued by Prince Edward Island, 89 vessels, paying	3, 389
45 vessels	13, 016

1867.

By Canada	None.
By New Brunswick	No return.
By Nova Scotia, 269	\$13, 929
By Prince Edward Island, (estimated,) 100.....	3, 000
369 vessels	16, 929

The tonnage of vessels was in 1866	26, 033
in 1867, (estimated)	19, 000

Although the license fees have generally been collected at the mouth of the gut of Canso, Nova Scotia, because most convenient, yet the best fishing grounds are in the waters of the province of Quebec, (the bay of Choleurs, &c.)

The Canadian Year Book for 1866 gives the following statement descriptive of these fisheries.

The most valuable sea fisheries in the Atlantic are close by the shores of the Dominion, viz., those on the Banks of Newfoundland, the St George's Banks in the Gulf of St. Lawrence, and the Bay of Fundy. It is known that there is no mackerel left on the shores of the United States, while the cod, the herring, and other valuable fish in commerce never go south of the cold waters which surround our coasts. All the maritime nations of the world have consequently endeavored to secure rights of fishery in our waters, endeavors often supported by armed forces and resulting in sanguinary wars.

The United States' rights are (since the repeal of the reciprocity treaty) defined by the convention of 1818, which gives them the right of fishing on the coasts of Newfoundland, Labrador, and the Magdalen Islands, but expressly precludes them from taking or curing fish within three miles of the coasts, bays, and harbors of the other provinces.

During the existence of the reciprocity treaty, this three-mile limitation was abandoned, in consideration of the right of free entry for our products into United States markets. It revived with the repeal of the treaty, but, pending another adjustment of the matter, the imperial and colonial governments have agreed to allow American vessels to fish within these limits on payment of a license. There have often been between 400 and 500 United States fishing craft in the Gulf of St. Lawrence alone, with a tonnage of over 30,000, manned by over 6,000 men, taking fish to the value of over \$1,000,000.

It is certainly to be hoped that Congress will at once take such action as will relieve our fishermen from license dues, and at the same time avoid a renewal of those difficulties, the former settlement of which was regarded by Mr. Webster and Mr. Marcy as not the least important feature of the treaty.

TERMINATION OF THE RECIPROCITY TREATY.

The principal reason for the termination of the reciprocity treaty was not so much a consideration of inequality in its provisions—for these might have been amended without going to the extent of abrogating the convention—as the fact that the rebellion had forced upon us a condition of things which did not exist when the treaty was made, and which rendered its continuance an embarrassment in the arrangement of our complex tariff system. As stated by you in your report to Congress in 1865, “the people of the United States could not consent to be taxed as producers while those outside of our boundaries, exempt from our burdens, shall be permitted, as competitors, to have free access to our markets;” hence it was desirable to abolish a treaty, which, by the course of events, had come practically to discriminate against our own citizens. The immense public debt of the United States worked changes requiring new arrangements and adaptations, and these requirements could only be reached, so far as the British North American provinces were concerned, by the termination of a convention which was based upon a wholly dissimilar state of facts. The establishment of a system of internal revenue taxation in the United States must be met by the imposition of duties upon produce crossing our borders. Properly levied, and calculated solely with a view of being equivalent in proportion to the internal revenue tax, these duties would really be a continuation of the principle of equality in the exchange of natural productions between the United States and Canada, which lay at the foundation of the treaty of 1854.

So reasonable was this argument felt to be, that the representatives of the several provinces have placed on record their acquiescence in its justice. A delegation, comprising members of the governments of the then provinces of Canada, New Brunswick, and Nova Scotia, visited Washington, and, on the 2d of February, 1866, submitted the following “memorandum,” acknowledging the changed condition of the country, the propriety of establishing duties on articles heretofore embraced in the free list of the reciprocity treaty, equivalent to the internal taxation existing in the United States, and general propositions for the rearrangement of trade relations between this country and the provinces they represented :

MEMORANDUM.

The trade between the United States and the British provinces should, it is believed, under ordinary circumstances, be free in reference to their natural productions, but as internal taxes exceptionally exist in the United States, it is now proposed that the articles embraced in the free list of the reciprocity treaty should continue to be exchanged, subject only to such duties as may be equivalent to that internal taxation. It is suggested that both parties may add certain articles to those now in the said list.

With reference to the fisheries and the navigation of the internal waters of the continent, the British provinces are willing that the existing regulations should continue in effect; but Canada is ready to enter into arrangements with the view of improving the means of access to the ocean, provided the assurance be given that the trade of the western States will not be diverted from its natural channel by legislation. And if the United States are not prepared at present to consider the general opening of their coasting trade, it would appear desirable that, as regards the internal waters of the continent, no distinction should be made between the vessels of the two countries.

If the foregoing points be satisfactorily arranged, Canada is willing to adjust her excise duties upon spirits, beer, and tobacco, upon the best revenue standard which may be mutually adopted after full consideration of the subject; and if it be desired to treat any other articles in the same way, the disposition of the Canadian government is to give every facility in their power to prevent illicit trade.

Canada is also prepared to make her patent laws similar to those of the United States.

It is not necessary to allude to the reasons which led to the failure of any legislative arrangements at that time. It is sufficient to state, that the matter rests precisely where it did at the termination of the treaty, so far as any reciprocal agreements between the two countries are concerned. Since then, however, a change has taken place in the political condition of the provinces, which

are now confederated under the name of Canada; and the British government has given the Canadian authorities the practical control of all subjects affecting that dominion to the extent of directing her Britannic Majesty's minister here to act in concert with the Canadian government in all matters connected with any negotiations in relation to commerce and navigation on our northern frontier. This will greatly simplify any arrangement which may be entered into in the future; as, instead of being forced to negotiate practically with the British government and four legislatures with separate and independent governments, as was the case when the reciprocity treaty was concluded in 1854, any agreement can now be made directly with Canada. The treaty of 1854 only went into effect after obtaining the consent of each separate province, and it was for a time a matter of doubt if the various conflicting interests of the several provinces could be so arranged as to satisfy them. (*vide* correspondence on the subject between Mr. Marcy and Mr. Crampton, 1854.)

It may be remarked that the commerce between the United States and Canada increased, since 1852, in a striking manner. Thus, in 1852, the total trade between the United States and Canada amounted to but \$16,013,848, whilst the total returns for 1867 amounted to \$52,978,224. How far this increase is due to the growth of population and the improved means of communication, and how much to the fact of the establishment of the reciprocity treaty, might measurably be estimated by looking at the census returns, railroads, &c., but which would extend this report beyond reasonable limits. For the purposes of the occasion, it can safely be assumed, at all events, that the treaty was not a drawback to the growth of the trade; as the returns from no other country with which we have commercial relations show anything like as rapid a growth as that with the British provinces within the last decade.

An analysis of the trade between the United States and the British provinces during the continuance of the reciprocity treaty, proves that a valuable portion of it consisted in the interchange of articles of a similar character at different points; at one point showing imports of certain articles into the United States from one portion of the provinces, whilst at another point the United States exported similar articles to other sections of the provinces. This was illustrated by the honorable Mr. Howland, of Canada, in a conversation with the Committee of Ways and Means of the House of Representatives in 1866, when he said, "The great point for us to consider is, that from our relative geographical position, the interests of the two countries require that their commodities should be interchanged with the greatest freedom possible. Thus, our fisheries are at one end of the province, and we scarcely ever see their products; we buy the fish we want from you, and send ours somewhere else." And it may also be added, that whilst Nova Scotia sold a certain amount of coal to the States contiguous to her, yet nearly all the coal consumed in western Canada came from Ohio. These currents of trade, when correctly understood, show that that description of commercial traffic is very far removed from any question of competition with the products of either country. High tariffs on each side may exclude the coal and fish of Nova Scotia from the American markets; but, on the other hand, they will equally exclude American fish and American coal from Canada. The value of these articles exported to Canada from the United States, and *vice versa*, will be seen in the tables given in this report.

There is, however, a very important and valuable commerce which naturally grows out of a liberalization of trade with Canada, and inducing the Canadians to sell their products in our markets, and enabling us to become their factors in the export of this produce to the markets of the world. It cannot be given in statistical tables, but, nevertheless, no one will deny its existence. I allude to the purchases naturally made in our markets, from the fact that their products are sold to us, although we are in reality only the agents of the European consumers, who are the ultimate purchasers. Other things being equal, the seller expends

his money where he gets it, in supplying his wants. As the factors of the Canadian farmers, under a liberal system of commercial intercourse, we are the medium through which he receives the money for his products, and he purchases what he requires of our wares and merchandise as a matter of convenience and of course. If, on the other hand, we exclude him from our markets—if he is compelled by heavy duties on our frontier to cross the Atlantic, and compete with us directly in the markets of Europe, who can contend that he would not there also purchase his supplies?

CONCLUSION.

The conclusions which are fairly deducible from the facts and figures herewith presented are, that a wise policy in behalf of the interests of our own citizens requires that the existing state of things, consequent upon the abrogation of the reciprocity treaty, should not be continued. Too little attention has been directed to the trade between the United States and the people lying for hundreds of miles along our northern frontier, speaking the same language and sprung from the same ancestry. I do not allude to our common origin in any spirit of sentimentality, because such considerations are absurd as between nations, but to show that commercial intercourse with such a people, intelligent, industrious, and enterprising, must be of value to us. In point of fact, the commerce already existing between the United States and Canada is extensive and important—ranking in consequence *third* in the list of countries with which we hold trade relations, as will be seen by the following table, for which I am indebted to the director of the Bureau of Statistics:

Table exhibiting the trade of the United States with the following countries during the fiscal years ending June 30, 1860 and 1867, respectively, (in millions of dollars and tenths, specie.)

Countries.	Domestic ex-ports.		Total imports.		Re-exports.		Net imports.	
	1860.	1867.	1860.	1869.	1860.	1867.	1860.	1867.
1. Great Britain.....	196.2	185.0	138.5	178.9	6.0	6.6	132.5	172.3
2. France	59.0	44.2	43.2	31.2	3.1	1.8	40.1	29.4
3. British North American provinces.....	18.6	15.6	23.8	33.3	4.0	3.7	19.8	29.6
All other countries.....	99.3	99.6	156.6	168.8	13.8	8.6	142.8	160.2
Total	373.1	334.4	362.1	412.2	26.9	20.7	335.2	391.5

N. B.—The countries are named in their order of consequence among *all countries* with which we trade.

ALEX. DELMAR, *Director.*

BUREAU OF STATISTICS,

Treasury Department U. S. A., February 19, 1868.

So far as the official facts can be relied upon—and they have been collected with a view solely to ascertain the truth and not to sustain any preconcerted theory—there can be no question, first, that the duty imposed upon pine lumber has fallen upon the American purchaser; secondly, that the effect of the imposition of an unreasonably high duty upon other products must be in the end to force the Canadian producer to seek the European markets through other and cheaper channels. The market for the surplus produce of this continent is in Europe. The price is mainly regulated by the European demand; and all the advantage we can expect to derive from the Canadian export of these articles must be obtained from handling them—by being the merchant of the Canadian farmers. They do not enter into competition with American products of a similar character to any extent on this side of the Atlantic. The competition

